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MANUFACTURERS' TAX EXEMPTIONS IN MARYLAND

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MARYLAND STATE PLANNING COMMISSION

OCTOBER 1953

MANUFACTURERS' TAX EXEMPTIONS
IN MARYLAND

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OCTOBER 1953

MARYLAND STATE PLANNING COMMISSION
100 Equitable Building
Baltimore 2, Maryland

Publication No. 85

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October 26, 1953

TO HIS EXCELLENCY
THEODORE R. MCKELDIN
GOVERNOR OF MARYLAND

Dear Governor McKeldin:

I take pleasure in transmitting herewith a study prepared and recently completed by the staff of the Commission, entitled "Manufacturers' Tax Exemptions in Maryland."

This study was undertaken in answer to the many inquiries received regarding property tax exemptions authorized for Maryland manufacturers. In addition to summarizing the extent of existing exemptions in the counties and cities of the State, the staff undertook to measure the value of exemptions granted. This detailed enumeration was made possible with the cooperation and assistance of the State Tax Commission.

As an indicator of the public contribution in the way of tax exemptions, the amount of tax revenue relinquished by the State and its political subdivisions was computed. Calculations were also made of the effect on the tax rate, if further exemptions were to be granted or existing exemptions repealed. However, no attempt was made to forecast what effects the revocation or extension of prevailing exemptions would have on the State's future industrial development. To answer these questions adequately, a separate study of the economies governing the various industries throughout the State would have to be undertaken, as well as a survey of management's reaction to possible changes in the tax structure.

In providing the basic facts and figures, the Commission staff has completed the object of its study. It is hoped that further investigation regarding effective means for inducing new development of industry in Maryland will be stimulated by this initial study.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "James C. Alban", is written over a large, stylized, light-colored flourish or watermark that resembles a large, cursive letter 'A' or a similar abstract shape.

James C. Alban
Chairman

1. 1990-1991

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ACKNOWLEDGMENTS

The Maryland State Planning Commission wishes to express its grateful appreciation for the service rendered by the State Tax Commission, in making available its detailed records on the value of manufacturers' property in Maryland. In particular, the Commission would like to acknowledge the fine cooperation given by Mr. Albert W. Ward, Secretary of the State Tax Commission, who provided excellent guidance in the evaluation and interpretation of the mass of assembled data.

Mr. Tom Edward Davis, formerly of The Johns Hopkins University, was responsible for the original research and analysis, as well as the documentation of his findings. The report was completed by the Commission staff.

FOREWORD

In answer to the many inquiries received regarding manufacturers' tax exemptions in Maryland, the State Planning Commission undertook a special study of the development and value of such exemptions in the counties and Baltimore City. The legislation authorizing exemption of manufacturers' tools, machinery, inventories, goods-in-process, and raw materials was reviewed, as well as the judicial decisions regarding the application of permissive legislation.

To provide the necessary facts and figures concerning the extent of such exemptions, the latest available records of the State Tax Commission were utilized. Working with the 1952 tax rates, it was possible to compute the amount of tax revenue relinquished by the political subdivisions granting manufacturers' exemptions. Considering the possibility of abandonment of the exemptions, or their extension to all the counties, the effects on the local and State tax rates were also calculated.

No attempt has been made to forecast what effects the revocation or extension of existing exemptions would have on industrial development in Maryland. To answer this question properly, a separate study of the economies governing the various industries throughout the State would have to be undertaken, as well as a direct plant-to-plant survey of management's reaction to changes in the prevailing tax structure.

DEVELOPMENT OF THE MANUFACTURERS' TAX
EXEMPTIONS IN MARYLAND

Enabling Legislation in 1914

Prior to World War I, industrial progress in Maryland had not kept pace with the great forward strides of the Nation as a whole and of similarly situated eastern metropolitan areas.^{1/} This condition was generally attributed to the failure to gain in manufactures the income and employment that had been lost in the decline of trade and commerce resulting from the disruption of the Civil War.

This situation prompted the State Legislature to attempt to revive and stimulate the Maryland economy through a general property tax exemption for manufacturing industry.^{2/} On April 13, 1914, the General Assembly enacted a measure, officially recorded as the Laws of Maryland - 1914 (Chapter 528), but popularly known as the "Manufacturers' Exemption."

This Act is described as follows:

An Act to encourage the development of manufacturing industries in the State of Maryland, by providing for exemption from taxation of the tools, machinery, manufacturing implements and engines of corporations, firms and

^{1/} Aldred, Illmer, Hollander, Bland and Wood, Industrial Survey of Baltimore, December, 1914.

^{2/} Previously, the Legislature had enacted enabling legislation granting various counties and incorporated cities the right to exempt from all or local taxation specific manufacturers. In 1912, Hagerstown and Washington County were given such a privilege for the purpose of attracting industry, the only stipulation being that a firm must employ a minimum of twenty-five workers in order to receive the exemption which was limited by the statute (Laws of Maryland - 1912, Chapter 616) to ten years. Similarly, the City of Crisfield in Somerset County was given authority to so exempt manufacturers for a period of five years (Laws of Maryland - 1914, Chapter 664); and, as an emergency measure during the Great Depression, Allegany County was vested with authority to exempt firms for ten years with provisions for renewal for a similar period. The Kelly-Springfield Tire Company and the Celanese Corporation were granted exemptions under this statute.

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individuals actually engaged in manufacturing, providing that such exemption shall be granted only when requested by the County Commissioners of any County or by the Mayor and City Council of Baltimore^{3/}

The Act enabled local governmental officials to exempt tools and machinery used in manufacturing from State taxation thereon if they first exempted the said tools and machinery from taxation by the local governmental unit.^{4/}

Use of General Authority

Some of the various local units wasted little time in exercising their newly acquired privilege. The majority, however, viewed the law with considerable caution. They preferred to allow others to undergo a preliminary period of experimentation with the exemption.

On September 22, 1914, Anne Arundel County became the first local unit to exempt manufacturers. Early in 1915, Carroll County, Baltimore City, and Howard County followed suit. After three years of experimentation, however, Howard County rescinded its exemption. But shortly thereafter, Prince George's County added its name to those counties exempting the tools and machinery of manufacturers, and early in 1919, Baltimore County followed suit.

^{3/} This Act amended Section 164 of Article 81 by adding thereto: "The County Commissioners of any county shall by resolution determine by a vote of its members whether there shall be in their respective counties the exemption of the tools, machinery, manufacturing implements and engines of corporations, firms and individuals actually engaged in manufacturing and duly certified to the State Tax Commissioner of Maryland ...and whenever no determination has been made and duly certified to the State Tax Commissioner, then and in that case, the tools, machinery, manufacturing implements and engines of corporations, firms and individuals actually engaged in manufacturing shall be required to pay all taxes assessed against said property."

^{4/} The actual operation of this Act as passed was to allow, in the case of domestic corporations, a deduction of tools and machinery used in manufacturing against the value of all shares, without reference to the location of the stockholder, for both State and local taxation; but, a radical alteration of the system of tax administration was contained in Chapter 324 of the Laws of Maryland - 1914 passed in the same session. In the future, assets, instead of shares, were to be subject to taxation. Under the new method, the tools and machinery of manufacturers, if exempt, were simply not assessed for tax purposes.

An important deviation in the general trend of adoption of the exemption occurred on December 6, 1920, when Carroll County repealed its exemption. This action instigated a series of developments which stifled further consideration of the Manufacturers' Exemption for many counties.

The B. F. Shriver Company contested Carroll County's right to repeal its exemption on the grounds that the local governmental units had been invested with the authority to enact but not to repeal the exemption. The decision, in the celebrated Carroll County vs. Shriver case, upheld the company's contention.^{5/} It was not until 1927 that Carroll County was specifically invested with the authority (Laws of Maryland - 1927, Chapter 326) to repeal its exemption; and it did so immediately.

Howard County's rescinding resolution was thus voided by the decision and the exemption exists to the present.

The decision in Carroll County vs. Shriver meant that the granting of the exemption was a "one way street" unless the General Assembly specifically enabled the county to repeal the legislation. The counties, therefore,

^{5/} To use the words of the Court:

"It is not, nor could it be successfully, contended that the Commissioners of Carroll County had any power or authority, independent of that conferred on them by the Act of 1914, Chapter 528, to exempt property from the payment of taxes... If...they determined to exempt such property from the payment of said tax and certified their action to the State Tax Commissioner, the statute thereafter became the law of that county... and therefore, in the absence of any power lodged in them by the Act to recall the action taken by them exempting property from the payment of taxes, they were without authority to rescind the resolution of January 18, 1915, which was, in effect, an attempt to repeal the Act so far as it applied to Carroll County, and this could be done only by the Legislature of the State." (146 Md. 412)

in the period which followed, granted the exemption for a given number of years only, with provisions for its expiration on that date unless specifically renewed.

So ended the repercussions of the Legislature's initial attempt to provide tax exemptions in the hope of attracting manufacturers to Maryland. Three counties, Baltimore, Anne Arundel, and Prince George's, plus Baltimore City, had exercised their privilege under the existing "one way" statute; a fourth county, Howard, had unsuccessfully attempted to repeal its exemption once established.

While the response to the enabling legislation was far from overwhelming, the General Assembly proceeded by stages to extend the local governmental unit's authority to remit taxes on inventories, goods-in-process, and raw materials in the hands of manufacturers.^{6/} Initially, this permissive legislation was only embodied in the Charter of Baltimore City, which granted the exemption March 6, 1919. It was not until ten years later that the various counties were given similar authority.^{7/}

Again there was little immediate response. Not until seven years later, on October 13, 1936, did Anne Arundel County extend its exemption to make its tax structure for manufacturers comparable to that of Baltimore City. Shortly before, Washington County had granted an exemption on "inventories, goods-in-process, and raw materials" and "tools and machinery" that was to take effect in 1936 and run for ten years. Upon its expiration date in 1945, it was not renewed.

The City of Cambridge in Dorchester County became the first city to act under the new law when, on July 13, 1938, it granted a 50% exemption

^{6/} However, the remission of local taxes under this Act does not carry with it the remission of State taxes which are levied on inventories to the present.

^{7/} Laws of Maryland - 1929, Chapter 226.

for the first time, the world's largest and most powerful
nuclear power plant, the Fukushima Daiichi Nuclear Power Plant,
located in Fukushima Prefecture, Japan, began its first full-scale
operation in 1971.

The Fukushima Daiichi Nuclear Power Plant is a 1,100 MW
pressurized water reactor (PWR) plant. It is the only PWR
plant in Japan. The plant is located on the coast of the
Pacific Ocean, about 100 km from the city of Fukushima.
The plant is owned and operated by the Tokyo Electric
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on raw materials and inventories. In December of that year, Dorchester County granted a complete exemption on raw materials and inventories for a period of ten years. Within a matter of weeks, the municipality brought its tax structure into line with that of the County so that no differential would exist. In July, 1948, Dorchester County extended its exemption for an additional ten years. The exemption granted by the City of Cambridge is permanent and does not require renewal.

The year 1940 brought an exemption on "inventories, goods-in-process, and raw materials" in Talbot County^{8/} and Wicomico County. The latter limited this exemption to ten years, but renewed it in 1950.^{9/} Caroline County exempted raw materials only on September 30, 1947, but in July, 1951, extended the remission to include inventories and goods-in-process. In 1950, three counties heretofore unacquainted with the exemption entered the fold. St. Mary's County exempted tools and machinery; Somerset County, inventories, goods-in-process, and raw materials; and Cecil County introduced a 50% exemption on tools, machinery, inventories, goods-in-process, and raw materials for a period of five years.^{10/}

In 1951, the general authority for manufacturers' exemptions, Article 81 of the Annotated Code, was amended to provide a minimum mandatory 25% exemption in Frederick County and Frederick City for tools and machinery, raw materials on hand, and manufactured products. (See Appendix B.)

Special Enactments

Besides those exemptions granted under the general authority given to local units by Chapter 528 of the Laws of Maryland - 1914,

^{8/} The City of Easton also granted the exemption at this time.

^{9/} The City of Salisbury followed suit, but granted the exemption for five years; it was extended for an additional five years in 1945, and again in 1950 to run for 10 years more.

^{10/} New manufacturing plants, with land and buildings assessed at over \$75,000, are granted 100% exemption for five years.

Allegany and Caroline counties have been authorized to grant exemptions of a slightly different type.

In 1931 Allegany County was authorized to exempt from County taxation the land, buildings, tools, machinery, inventory, and raw materials of newly established firms in the County for a period of ten years from the date of establishment. In 1953, this authority was extended to include the expansion units (with assessable value of over \$10,000) of established plants in the County. Only the exemption of raw materials was excluded for the expansion units.

Caroline County, which exempts inventories under the authority of 1929, was authorized to exempt land, buildings, tools and machinery of new firms and expansion units of established firms by the General Assembly of 1953. Exemptions are granted for new improvements assessable at over \$25,000 for established industry and \$50,000 in the case of new plants.

The exemptions authorized in Allegany and Caroline counties do not carry the automatic exemptions from the State property tax that is carried by the general authority of 1914.

Judicial Interpretation

In addition to legislative enactments, the growth of manufacturers' tax exemptions in Maryland was favorably affected by judicial interpretation of what constituted a "manufacturing industry."

The extensions resulting from court decisions were largely contained in two opinions, Carroll County vs. Shriver (146 Md. 412) and Mayor and City Council of Baltimore vs. State Tax Commission (161 Md. 234). In the former, the Court reasoned that "It is difficult to say in the abstract what is and what is not a manufacturing industry." This resulted in every case being decided individually in hearings before the Appeals Tax Court, consisting of the State Tax Commissioners. The petitioning firm, in case of

an adverse decision could then appeal to the established judiciary where the result was generally to extend the definition of "manufacturing" until it included many industries which other authorities would be prone to call "service" industries.^{11/}

One of these decisions, Mayor and City Council of Baltimore vs. State Tax Commission, opened the door for the freest possible interpretation of "manufacturing." The Court observed that the "company has all the earmarks of a manufacturing establishment. In its operation it employs several hundred men and a vast amount of equipment; and while it does not produce a finished article...(it produces) a product of commercial use." Thus, according to this opinion, the criteria for "manufacturing" is the employment of a large force and the use of machinery to produce an article of commerce. Obviously, a wide variety of "pseudo-manufacturing" firms could qualify under this definition.

Exemption of Pseudo-Manufacturing Industries

While the Courts were thus enlarging the sphere of industrial tax exemption, the General Assembly was also extending coverage through specific legislation to apply to still other generally accepted non-manufacturing industries. In Baltimore City, (Laws of Maryland - 1916, Chapter 561), and later (1937) in Prince George's County, laundries were added to the list of exempt manufacturers. Milk processing and farm-produce processing were included also in Baltimore City and Prince George's County, as well as in those predominantly rural counties granting the exemption.

Thus, today, the manufacturers' exemption is playing an ever larger role in Maryland's economy through increased adoption by the local

^{11/} Mayor and City Council of Baltimore vs. Hanover Shirt Co. (168 Md. 174); State Tax Commission vs. Baltimore Asphalt Block and Tile Co. (180 Md. 620).

governmental units, broader judicial interpretation of manufacturing, and, finally, through specific exemption of certain pseudo-manufacturing industries by the General Assembly.

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TABLE I

MANUFACTURERS' TAX EXEMPTIONS IN THE STATE OF MARYLAND BY COUNTY

County or City	Date	Tools and Machinery	Inventory etc.	Period	Expired	Rescinded	Renewed	Date
Allegany ^{1/}	2/19/ 1931	X	X	Permanent				
Anne Arundel	9/22/1914 10/13/1936	X -	- X	Permanent Permanent				
Baltimore City	2/15/1915 3/ 6/1919	X -	- X	Permanent Permanent				
Baltimore	2/25/1919	X	-	Permanent				
Caroline	9/30/1947 6/ 1/1953	- X ^{3/}	X ^{2/} -	Permanent Permanent				
Federalsburg	9/30/1947 6/ 1/1953	- X ^{3/}	X ^{2/} -	Permanent Permanent				
Ridgely	9/30/1947 6/ 1/1953	- X ^{3/}	X ^{2/} -	Permanent Permanent				
Carroll	1/18/1915	X	-	Permanent		X		1927 ^{4/}
Cecil ^{5/}	12/29/1950	X	X	5 years				
Dorchester	12/ 6/1938	-	X	10 years	X		10 years 7/ 6/1948	
Cambridge	7/13/1938	-	X ^{6/}	Permanent				
Frederick ^{7/}	6/ 1/1951	X	X	Permanent				
Frederick ^{7/}	6/ 1/1951	X	X	Permanent				
Howard	2/ 9/1915	X	-	Permanent		X ^{8/}		1/29/1918
Prince George's	12/17/1918	X	-	Permanent				
St. Mary's	11/14/1950	X	-	Permanent				

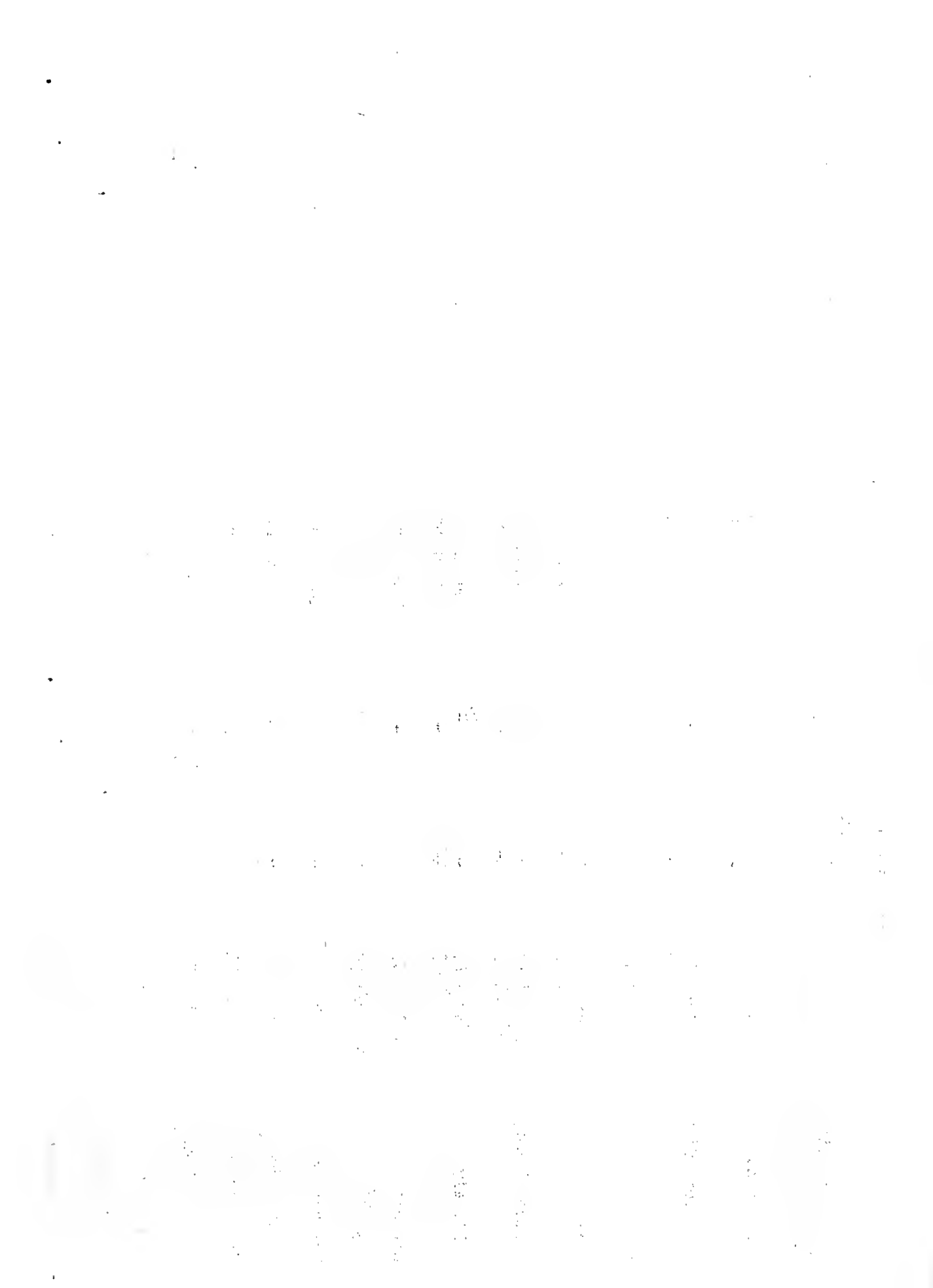


TABLE I (CONTINUED)

MANUFACTURERS' TAX EXEMPTIONS IN THE STATE OF MARYLAND BY COUNTY

County or City	Date	Tools and Machinery	Inventory etc.	Period	Expired	Rescinded	Renewed	Date
Somerset	12/26/1950	-	X	Permanent				
Talbot	12/27/1940	-	X	Permanent				
Easton	12/27/1940	-	X	Permanent				
Oxford	12/27/1940	-	X	Permanent				
Washington ^{2/}	5/17/1935	X	X	10 years	X			
Wicomico	12/18/1940	-	X	10 years	X		10 years	12/18/1950
Salisbury	12/23/1940	-	X	5 years	X		5 years 10 years	11/ 7/1945; 1/ 1/1951

^{1/} Chapter 7, Laws of Maryland, 1931 (as amended by Chapter 617, Laws of Maryland 1947, and Chapter 449, Laws of Maryland, 1951). The law provides for exemption of newly established manufacturing industries in Allegany County for a period of ten years from the date of establishment, including land, buildings, tools, machinery, and all personal property. Chapter 18, Laws of Maryland, 1953, extends this exemption, except for raw materials, to expansion units of established industries, if the assessable value of the addition is greater than \$10,000. This exemption does not carry automatic exemption from the State property tax.

^{2/} Until July 10, 1951, the exemption applied to raw materials only.

^{3/} Chapter 763, Laws of Maryland, 1953. This exemption applies to new plants and to expansion units of established firms only, and runs for ten years from the time of establishment. Exemptions, including land and buildings also, are granted only for improvements assessed at over \$25,000, and in the case of new plants, \$50,000. This exemption does not carry automatic exemption from the State property tax.

^{4/} Manufacturers who had been exempt from taxation before 1927, continued to be exempt until 1932.

^{5/} 50% exemption. (From January 1, 1951 to December 31, 1952, the County granted complete exemptions on tools, machinery, inventory, and raw materials to new manufacturers with a capital outlay of over \$75,000, for a period of five years. Starting January 1, 1953, a 100% exemption was granted only if the new plant's land and buildings were assessed at over \$75,000.)



TABLE I FOOTNOTES (CONTINUED)

- 6/ Until December 20, 1938 the exemption was 50%.
- 7/ 25% exemption. Chapter 321, Laws of Maryland, 1951. The law provides for a mandatory exemption of 25%, the value of inventories to be based on 75% assessment of "such fair average value for the twelve months preceding the date of finality."
- 8/ Carroll County vs. Shriver (146 Md. 412) declared the rescinding legislation invalid. The exemption is in effect to date.
- 9/ A minimum of 10 employees was required for each firm exempted.

MEASUREMENT OF MANUFACTURERS' TAX EXEMPTIONS
IN MARYLAND

Procedure

The data were derived from a detailed survey of 18,000 Maryland corporate property tax returns filed with the State Tax Commission in 1949. The assessed value of raw materials, goods-in-process, and inventories was given in each report because the State continues to tax these items despite exemptions granted in particular counties. The assessed value of tools and machinery was given for firms reporting in counties that continue to tax this item, and also in those counties which have exempted tools and machinery, about 95% of the firms reported this item even though they are not subject to tax on it. The remaining 5% fall into three groups: 1) small firms whose taxable property could be estimated with reasonable accuracy from comparison with similar firms in the same industry; 2) firms which reported in the year immediately preceding or following so that the amount could be accurately estimated for the year in question; and 3) about 35 firms from whom additional data were requested. With few exceptions, these data were obtained so that the survey of corporations was comprehensive in its coverage.

The data tabulated from the State Tax Commission files are considered to represent a minimum estimate of the value of manufacturers' exempted property, for the following reasons:

1) The tax returns covered the year 1949, the latest available for study. Growth and inflation in the four-year interval might conceivably account for as much as a 10% understatement.

2) It was not possible to obtain the assessed valuation for the manufacturing property of firms other than corporations (sole proprietorships and partnerships) in the majority of counties. These data were

obtained for Baltimore City, and several of the counties which exempt manufacturers' property.^{12/}

3) The reported valuation of exempted property is not subject to verification by the State Tax Commission. Under the circumstances, it is possible that some of the reported property may have been undervalued.

The following figures, therefore, must be looked upon as minimum estimates, while a maximum estimate might run as high as an additional 25%.

Value of Exempted Property

Table II presents the estimated value of manufacturers' exempted property, distributed according to the place of incorporation of the firm owning the assets in question. Out of a total value of \$264,486,860 for tools and machinery, \$231,348,290, or 87.5% is exempted from taxation. For inventories, goods-in-process, and raw materials, \$196,249,811, or 71.6%, is granted exemption.

These figures have greater applicability when they are translated into terms that can be compared with other significant measures. Hence the exempted property has been measured in terms of tax revenues, based on 1952 tax rates. As a further indicator of the value of exempted property, potential increases and decreases in the tax rate were computed to allow for full exemptions in all parts of the State and conversely, for complete revocation of existing exemptions. The results of these computations are given in Tables III and IV.

From the tables it is apparent that under the manufacturers' exemption, Baltimore City, Baltimore County, and Dorchester County grant sizable subsidies, both in absolute (increase in tax revenues if exemptions

^{12/} The amount of inventories exempted amounted to \$7,209,200 in Baltimore City; \$289,470 in Dorchester County; \$613,957 in Wicomico County; \$55,000 in Caroline County; and \$276,800 in Talbot County.

were repealed) and in relative (change in tax rate if existing exemptions were repealed) terms, while in the other counties which grant exemptions, the public contribution is relatively lower. Obviously, the "cost" of the exemption is dependent on the size of manufacturing property in relation to other assessable property.

Therefore, it may be seen that granting the exemption in those counties as yet unacquainted with it, or of extending the exemption in those counties which at present grant only partial exemptions, the relative cost would be greater in the industrialized counties, and lower in the rural counties. However, to determine the real cost of tax exemptions granted, it would be necessary to balance loss of tax revenues against payroll and other income stimulated by new enterprises attracted because of tax exemptions.

State Tax Considerations

The State also exempts the tools and machinery of manufacturers if this equipment has previously been exempted by the local governmental unit. From Table II it is noted that the amount of property so exempted amounts to \$231,348,290. If taxed at the 1952 State property tax rate of 6.25 cents per \$100, it would have yielded \$144,592 in tax revenues. This additional revenue would have made it possible to reduce the rate to 5.98 cents per \$100. On the other hand, if the counties which at present do not exempt the tools and machinery of manufacturers should decide to do so, then an additional \$33,138,570 of taxable property would be lost to the State. At the 1952 tax rate, the tax revenue on this property would amount to \$20,712, or, if the total tax revenue was only to be maintained, it would necessitate raising the rate by 0.04 cents per \$100.

Repealing the manufacturers' exemption, therefore, would mean a decrease of 4.3% in the tax rate, while extending it fully would require

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a 0.6% increase in the rate. However, since local taxes are deductible in the computation of State income tax payments, any increase in the tax on manufacturers' property would result in a small loss in income tax revenue to the State.

TABLE II

ASSESSED VALUATION OF MANUFACTURING PROPERTY OF DOMESTIC AND FOREIGN CORPORATIONS
OPERATING IN MARYLAND

Counties	Domestic Corporations		Foreign Corporations		Total	
	Tools	Inventories	Tools	Inventories	Tools	Inventories
Allegany	\$ 3,760,910 ^E	\$ 2,373,190 ^E	\$ 11,152,869 ^E	\$ 7,165,822 ^E	\$ 14,913,779 ^E	\$ 9,539,012 ^E
Anne Arundel	1,047,737 ^E	1,429,740 ^E	143,898 ^E	994,320 ^E	1,191,635 ^E	2,424,060 ^E
Baltimore City	47,687,484 ^E	86,236,110 ^E	63,875,227 ^E	94,356,690 ^E	111,562,711 ^E	180,592,800 ^E
Baltimore	11,309,174 ^E	11,895,171 ^E	104,955,520 ^E	37,245,050 ^E	116,264,694 ^E	49,140,221 ^E
Calvert	36,100	217,050 ^E	230	-0-	36,330	217,050 ^E
Caroline	380,707	444,120 ^E	342,940	596,110 ^E	723,647	1,040,230 ^E
Carroll	1,307,827	2,587,826 ^E	1,314,370 ^{E*}	723,110 ^{E*}	2,622,197 ^{E*}	3,310,936 ^{E*}
Cecil	436,260 ^{E*}	602,712 ^{E*}	518,940 ^{E*}	583,420 ^{E*}	955,200 ^{E*}	1,186,132 ^{E*}
Charles	54,060	245,270 ^E	74,490	41,860 ^E	128,550	287,130 ^E
Dorchester	1,538,100	5,550,950 ^{E*}	259,434 ^{E**}	1,003,090 ^{E**}	1,797,534 ^{E**}	6,554,040 ^E
Frederick	1,623,643 ^{E**}	1,900,320 ^{E**}	460,600 ^{E**}	1,429,910 ^{E**}	2,084,243 ^{E**}	3,330,230 ^{E**}
Garrett	505,690	86,500	56,750	167,180	562,440	253,680
Harford	477,910	457,216	404,320	390,037	882,230	847,253
Howard	84,014 ^E	105,470	59,305 ^E	232,970	143,319 ^E	338,440
Kent	138,920	329,380	69,690	30,110	208,610	359,490
Montgomery	578,000	764,850	581,383 ^E	597,190	1,159,383 ^E	1,362,040
Prince George's	950,147 ^E	681,580	167,973 ^E	493,091	1,118,120 ^E	1,174,671
Queen Anne's	130,410	46,560	4,160 ^E	26,500	134,570	73,060
St. Mary's	8,260 ^E	2,500 ^E	60,890 ^E	9,160 ^E	69,150 ^E	11,660 ^E
Somerset	236,190	436,827 ^E	21,650	16,170 ^E	257,840	452,997 ^E
Talbot	574,249	705,380 ^E	25,380	22,750 ^E	599,629	728,130 ^E
Washington	3,403,930	6,372,890 ^E	1,455,220	652,750 ^E	4,859,150	7,025,640 ^E
Wicomico	895,124	2,013,750 ^E	711,210	1,018,180 ^E	1,606,334	3,031,930 ^E
Worcester	320,135	385,670	285,430	421,220	605,565	806,890
Total	\$77,484,981	\$125,871,032	\$187,001,879	\$148,216,690	\$264,486,860	\$274,087,722
Total Exempted	\$61,710,857	\$ 97,593,313	\$169,637,433	\$ 98,656,498	\$231,348,290	\$196,249,811
Per Cent Exempted	79.6%	77.5%	90.7%	66.6%	87.5%	71.6%

E - Exempted as of July 1, 1953. Does not include exemptions on new firms in Allegany, Caroline, and Cecil counties.

* - 50% Exemption.

** - 25% Exemption.

Source: State Tax Commission

1949 Corporate Tax Returns

TABLE III

VALUE OF MANUFACTURERS' EXEMPTIONS
IN TERMS OF TAX REVENUES

Effect on Tax Revenue from Manufacturing Property										
County	Value of Manufacturers' Property	Present Tax Rate*	Computed Tax Collected 1952	Increase if Exemptions are Repealed		Revenue if Exemptions are Repealed		Decrease if Further Exemptions are Granted		Revenue if Full Exemptions are Granted
				\$	-0-	\$	445,041	\$445,041	-0-	
Allegany	\$ 24,452,791	\$1.82**	\$ 445,041	-0-	\$ 445,041	\$445,041	-0-			-0-
Anne Arundel	3,615,695	1.68	-0-	60,744	60,744	-0-				-0-
Baltimore City	292,155,511	2.74	-0-	8,005,061	8,005,061	-0-				-0-
Baltimore	165,404,915	1.58	776,415	1,836,983	1,836,983			776,415		-0-
Calvert	253,380	1.96	4,966	-0-	4,966			4,966		-0-
Caroline	1,763,877	1.57	11,361	16,332	27,693			11,361		-0-
Carroll	5,933,133	1.35	80,097	-0-	80,097			80,097		-0-
Cecil	2,141,332	1.38	14,775	14,775	29,550			14,775		-0-
Charles	415,680	1.55	6,443	-0-	6,443			6,443		-0-
Dorchester	8,351,574	1.40	25,165	91,757	116,922			25,165		-0-
Frederick	5,414,473	1.40	56,852	18,951	75,803			56,852		-0-
Garrett	816,120	2.00	16,322	-0-	16,322			16,322		-0-
Harford	1,729,483	1.38	23,867	-0-	23,867			23,867		-0-
Howard	481,759	1.85	6,261	2,652	8,913			6,261		-0-
Kent	568,100	2.00	11,362	-0-	11,362			11,362		-0-
Montgomery	2,521,423	2.10	52,950	-0-	52,950			52,950		-0-
Prince George's	2,292,791	1.98	23,258	22,139	45,397			23,258		-0-
Queen Anne's	207,630	1.60	3,322	-0-	3,322			3,322		-0-
St. Mary's	80,810	1.50	175	1,037	1,212			175		-0-
Somerset	710,837	1.65	4,254	7,475	11,729			4,254		-0-
Talbot	1,327,759	1.70	10,194	12,378	22,572			10,194		-0-
Washington	11,884,790	1.50	178,272	-0-	178,272			178,272		-0-
Wicomico	4,638,264	1.55	24,898	46,995	71,893			24,898		-0-
Worcester	1,412,455	1.35	19,068	-0-	19,068			19,068		-0-

* Based on full rate only.

** Weighted average of the several district rates.

*** Excluding exemptions on new firms, and expansion units of established firms in Allegany, Caroline, and Cecil counties.

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TABLE IV

VALUE OF MANUFACTURERS' EXEMPTIONS
IN TERMS OF THE TAX RATE

Counties	Loss to Assessable Base		Effect on Tax Rate				
	Existing Exemptions**	Further Exemptions Possible**	Present Rate#	Increase Because of Further Exemptions	New Rate with Full Exemption	Decrease Because of Repeal of Existing Exemptions	New Rate Without Exemptions
Allegany	-0-	\$24,452,791	\$1.82	\$0.35	\$2.17	-0-	\$1.82
Anne Arundel	\$ 3,615,695	-0-	1.68##	-0-	1.68	\$0.04	1.64
Baltimore City	292,155,511	-0-	2.74	-0-	2.74	0.33	2.41
Baltimore	116,264,694	49,140,221	1.58	0.13	1.71	0.24	1.34
Calvert	-0-	253,380	1.96	0.04	2.00	-0-	1.96
Caroline	1,040,230	723,647	1.57	0.05	1.62	0.06	1.51
Carroll	-0-	5,933,133	1.35	0.12	1.47	-0-	1.35
Cecil	1,070,666	1,070,666	1.38	0.02	1.40	0.02	1.36
Charles	-0-	415,680	1.55	0.03	1.58	-0-	1.55
Dorchester	6,554,040	1,797,534	1.40	0.05	1.45	0.16	1.24
Frederick	1,353,618	4,060,855	1.40	0.06	1.46	0.02	1.38
Garrett	-0-	816,120	2.00	0.06	2.06	-0-	2.00
Harford	-0-	1,729,483	1.38	0.02	1.40	-0-	1.38
Howard	143,319	338,440	1.85	0.02	1.87	0.01	1.84
Kent	-0-	568,100	2.00	0.05	2.05	-0-	2.00
Montgomery	-0-	2,521,423	2.10	0.01	2.11	-0-	2.10
Prince George's	1,118,120	1,174,671	1.98	0.01	1.99	0.01	1.97
Queen Anne's	-0-	207,630	1.60	0.01	1.61	-0-	1.60
St. Mary's	69,150	11,660	1.50	-0-	1.50	-0-	1.50
Somerset	452,997	257,840	1.65	0.02	1.67	0.04	1.61
Talbot	723,130	599,629	1.70	0.03	1.73	0.03	1.67
Washington	-0-	11,884,790	1.50	0.13	1.63	-0-	1.50
Wicomico	3,031,930	1,606,334	1.55	0.03	1.58	0.06	1.49
Worcester	-0-	1,412,455	1.35	0.04	1.39	-0-	1.35

* See Appendix A for table showing complete, step-by-step derivation of the data here shown.

** Data for assessed valuation of manufacturing property were collected for the year 1949. The exemptions granted are all those which were authorized as of July 1, 1953, except those exempting new firms in Allegany, Caroline, and Cecil counties.

County tax rates for the year 1952. Based on full rate only.

Weighted average of the different tax rates for the several districts of the County.

SUMMARY

At the present time, 13 counties and Baltimore City grant property tax exemptions to manufacturers. These are as follows:

<u>County</u>	<u>Tools and Machinery</u>	<u>Inventory, Goods-in-Process, and Raw Materials</u>
Allegany County	x	x
Anne Arundel County	x	x
Baltimore City	x	x
Baltimore County	x	-
Caroline County	x	x
Cecil County	x	x
Dorchester County	-	x
Frederick County	x	x
Howard County	x	-
Prince George's County	x	-
St. Mary's County	x	-
Somerset County	-	x
Talbot County	-	x
Wicomico County	-	x

Table I summarizes the development and extension of tax exemptions since the general authority was first granted in 1914. (See Appendix B.)

Based on the latest available reports submitted to the State Tax Commission, it is estimated that exempted manufacturing property in Maryland has a minimum value of \$231,348,290 for tools and machinery, and \$196,249,811 for inventories, goods-in-process, and raw materials. (See Table II.)

Baltimore City leads in the amount of tax-exempt property, totaling more than \$292,000,000. Baltimore County is second, with exemptions exceeding \$116,000,000. Dorchester County, with \$6,600,000 of exemptions, is third, followed by Anne Arundel County, \$3,600,000, and Wicomico County, \$3,000,000. The balance of the counties have exemptions ranging between \$69,000 and \$1,400,000. (See Tables II and IV.)

Based on 1952 tax rates, the amount of tax revenue relinquished through tax exemptions has been calculated. (See Table III.) Computations have also been made of the effect on county and State tax rates if further

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 Die Nullvektoren sind $\vec{0}$ und $\vec{1}$.

Die Addition ist kommutativ, assoziativ und
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exemptions were to be granted or existing exemptions repealed. (See Table IV and Appendix A.) However, to determine the real cost of manufacturers' tax exemptions, the loss of tax revenue must be balanced against the payroll and other economic contributions made by the manufacturers so exempted.

APPENDICES

APPENDIX A

COMPLETE DERIVATION OF THE VALUE OF
MANUFACTURERS' EXEMPTION IN TERMS OF THE TAX RATE

County	1952 Assessable Base*	1952 Tax Rate** Per \$100	Calculated Tax Yield 1952	1949 Assessed Value of Manufacturers' Property
	(1)	(2)	(3) = $\frac{(1) \times (2)}{100}$	(4)
Allegany	\$ 151,709,908	\$1.82	\$ 2,761,120	\$ 24,452,791
Anne Arundel	160,772,627	1.68***	2,700,980	3,615,695
Baltimore City	2,113,631,536	2.74	57,913,504	292,155,511
Baltimore	646,943,785	1.58	10,221,712	165,404,915
Calvert	13,202,867	1.96	258,776	253,380
Caroline	24,247,306	1.57	380,683	1,763,877
Carroll	75,381,991	1.35	1,017,657	5,933,133
Cecil	66,206,775	1.38	913,653	2,141,332
Charles	23,221,409	1.55	359,932	415,680
Dorchester	51,084,855	1.40	715,188	8,531,574
Frederick	107,006,020	1.40	1,498,084	5,414,473
Garrett	27,220,802	2.00	544,416	816,120
Harford	106,803,162	1.38	1,473,884	1,729,483
Howard	33,013,925	1.85	610,758	481,759
Kent	23,974,405	2.00	479,488	568,100
Montgomery	496,027,970	2.10	10,416,587	2,521,423
Prince George's	331,987,877	1.98	6,573,360	2,292,791
Queen Anne's	28,055,433	1.60	448,887	207,630
St. Mary's	21,538,744	1.50	323,081	80,810
Somerset	19,632,493	1.65	323,936	710,837
Talbot	36,881,350	1.70	626,983	1,327,759
Washington	153,170,303	1.50	2,279,555	11,884,790
Wicomico	77,269,409	1.55	1,197,676	4,638,264
Worcester	45,991,760	1.35	620,889	1,412,455

* Taxable at full rate only.

** Based on full rate only.

*** Weighted average of the several district rates.

APPENDIX A
(continued)

If Further Exemptions are Granted				
County	Manufacturers' Property to be Exempted	Assessable Base	New Tax Rate Per \$100	Increase in Tax Rate
	(5)	(6)=(1)-(5)	(7) $\frac{(3)}{(6)} \times 100$	(8)=(7)-(2)
Allegany	\$24,452,791	\$127,257,117	\$2.17	\$0.35
Anne Arundel	-0-	160,772,627	1.68	-0-
Baltimore City	-0-	2,113,631,536	2.74	-0-
Baltimore	49,140,221	597,803,564	1.71	0.13
Calvert	253,380	12,949,487	2.00	0.04
Caroline	723,647	23,523,659	1.62	0.05
Garroll	5,933,133	69,448,858	1.47	0.12
Cecil	1,070,666	65,136,109	1.40	0.02
Charles	415,680	22,805,729	1.58	0.03
Dorchester	1,797,534	49,287,321	1.45	0.05
Frederick	4,060,855	102,945,165	1.46	0.06
Garrett	816,120	26,404,682	2.06	0.06
Harford	1,729,483	105,073,679	1.40	0.02
Howard	338,440	32,675,485	1.87	0.02
Kent	568,100	23,406,305	2.05	0.05
Montgomery	2,521,423	493,506,547	2.11	0.01
Prince George's	1,174,671	330,813,206	1.99	0.01
Queen Anne's	207,630	27,847,803	1.61	0.01
St. Mary's	11,660	21,527,084	1.50	-0-
Somerset	257,840	19,374,653	1.67	0.02
Talbot	599,629	36,281,721	1.73	0.03
Washington	11,884,790	141,285,513	1.63	0.13
Wicomico	1,606,334	75,663,075	1.58	0.03
Worcester	1,412,455	44,579,305	1.39	0.04

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APPENDIX A
(Continued)

If All Exemptions Are Repealed*				
County	Assessed Value of Manufacturers' Property Now Exempted	Assessable Base	New Tax Rate Per \$100 $\frac{(3)}{(10)} \times 100$	Decrease in Tax Rate $(12)=(2)-(11)$
	(9)	(10)=(1)+(9)	(11)= $\frac{(3)}{(10)} \times 100$	(12)=(2)-(11)
Allegany	\$ -0-	\$ 151,709,908	\$1.82	\$ -0-
Anne Arundel	3,615,695	164,388,322	1.64	0.04
Baltimore City	292,155,511	2,405,787,047	2.41	0.33
Baltimore	116,264,694	763,208,479	1.34	0.24
Calvert	-0-	13,202,867	1.96	-0-
Caroline	1,040,230	25,287,536	1.51	0.06
Carroll	-0-	75,381,991	1.35	-0-
Cecil	1,070,666	67,277,441	1.36	0.02
Charles	-0-	23,221,409	1.55	-0-
Dorchester	6,554,040	57,638,895	1.24	0.16
Frederick	1,353,618	108,359,638	1.38	0.02
Garrett	-0-	27,220,802	2.00	-0-
Harford	-0-	106,803,162	1.38	-0-
Howard	143,319	33,157,244	1.84	0.01
Kent	-0-	23,974,405	2.00	-0-
Montgomery	-0-	496,027,970	2.10	-0-
Prince George's	1,118,120	333,105,997	1.97	0.01
Queen Anne's	-0-	28,055,433	1.60	-0-
St. Mary's	69,150	21,607,894	1.50	-0-
Somerset	452,997	20,085,490	1.61	0.04
Talbot	728,130	37,609,480	1.67	0.03
Washington	-0-	153,170,303	1.50	-0-
Wicomico	3,031,930	80,301,339	1.49	0.06
Worcester	-0-	45,991,760	1.35	-0-

* Excluding those on new firms in Allegany, Caroline, and Cecil counties.

APPENDIX B

ANNOTATED CODE OF MARYLAND, 1951 EDITION

ARTICLE 81, SECTION 8 (23) and (24)

8. The following shall be exempt from assessment and from State, county and city taxation in this State, each and all of which exemptions shall be strictly construed:

* * *

(23) Tools (including mechanical tools), implements, whether worked by hand, steam or other motive power, machinery, manufacturing apparatus or engines used in manufacturing, whether temporarily idle or not, in any county or city, as herein defined, (including the City of Baltimore) whether exempted by the county in which said city is located or not, in which by law, resolution or ordinance the same are or may be exempt from county or city taxation; and the County Commissioners of any county and any city, as herein defined, including the Mayor and City Council of Baltimore, are hereby authorized to pass such resolution or ordinance. Exemption by either a county or a city in said county shall not preclude the other taxing jurisdiction from imposing taxes on the property so exempted by the one jurisdiction. If any county shall exempt the property hereunder, and a city in said county shall tax such property, the county shall furnish or make available to the taxing authorities of said city the assessment on the property so exempted by the county and taxed by the city. Such a tax exemption as is provided in this sub-section shall be mandatory in Anne Arundel County, Frederick County and in the City of Frederick, for county and municipal taxation, the amount of at least twenty-five per centum (25%) of the total assessed valuation.

(24) Raw materials on hand and manufactured products in the hands of the manufacturer in any city and/or county in which by law, resolution or ordinance the same are or may be exempt from county and/or city taxation; provided that nothing in this sub-section shall exempt any such property from State taxation or from assessment therefor. Such a tax exemption as is provided in this sub-section shall be mandatory in Anne Arundel County, Frederick County and in the City of Frederick, for county and municipal taxation, in the amount of at least twenty-five per centum (25%) of the total assessed valuation.

